

**CORPORACION NACIONAL DEL
COBRE DE CHILE AND
SUBSIDIARIES**

Consolidated financial statements for the
six month periods ended June 30, 2003 and 2002
and independent auditors' report

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Chairman and Members of the Board of Directors
of Corporación Nacional del Cobre de Chile

1. We have reviewed the accompanying interim consolidated balance sheet of Corporación Nacional del Cobre de Chile and subsidiaries as of June 30, 2003, and the related interim consolidated statements of income and cash flows for the six-month period then ended. These interim financial statements (including the related notes) are the responsibility of the management of the Company. We have not reviewed the June 30, 2003 financial statements of certain affiliates and subsidiaries. These financial statements were reviewed by other accountants, whose review reports have been furnished to us and our review report, insofar as it relates to the amounts included for those affiliates and subsidiaries is based solely on the review reports of such other accountants. The direct and indirect investments of the Company in such affiliates and the total assets and total revenues of such subsidiaries represent 4.5% and 10.6% respectively of the corresponding consolidated totals for the period. The interim financial statements for the six month period ended June 30, 2002 were audited by other auditors whose report, dated August 30, 2002 expressed an unqualified opinion and included an explanatory paragraph that described the accounting change to the recording of exchange differences resulting from the conversion into US dollars of subsidiaries using Chilean pesos as the functional currency.
2. We conducted our review in accordance with auditing standards established in Chile for a review of interim financial information. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, the June 30, 2003 interim consolidated financial statements have not been audited and therefore we do not express such an opinion.
3. Based on our review and the reports of other accountants, we are not aware of any material modifications that should be made to the June 30, 2003 interim consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in Chile.
4. The accompanying financial statements have been translated into English for the convenience of readers outside of Chile.

Deloitte - Touche

July 31, 2003

FINANCIAL STATEMENTS

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AT JUNE 30, 2003 AND 2002

(In thousands of U.S. Dollars -ThUS\$)

ASSETS	2003 ThUS\$	2002 ThUS\$
CURRENT:		
Cash	16,006	12,793
Time deposits	40,031	60,032
Marketable securities	1	1,945
Trade receivables	253,736	294,506
Notes receivable	2,647	88
Other receivables	96,873	133,046
Due from related companies	1,292	125
Inventories	596,795	457,491
Income taxes recoverable	269,629	90,930
Prepaid expenses	9,008	16,758
Deferred taxes	32,307	22,188
Other current assets	4,136	7,654
Total current assets	<u>1,322,461</u>	<u>1,097,556</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	29,522	38,680
Buildings and infrastructure	5,979,460	5,369,926
Machinery and equipment	5,332,972	5,269,430
Other fixed assets	356	1,219
Technical appraisal revaluation	383,247	418,217
Less: accumulated depreciation	<u>(6,746,269)</u>	<u>(6,447,450)</u>
Net property, plant and equipment	<u>4,979,288</u>	<u>4,650,022</u>
OTHER ASSETS:		
Investments in related companies	283,989	183,717
Investments in other companies	4,184	3,292
Long-term receivables	92,811	81,304
Due from related companies	81,249	74,261
Intangibles	3,318	3,674
Accumulated amortization	(1,100)	(924)
Other assets	<u>257,045</u>	<u>153,958</u>
Total other assets	<u>721,496</u>	<u>499,282</u>
TOTAL ASSETS	<u>7,023,245</u>	<u>6,246,860</u>

The accompanying notes are an integral part of these consolidated financial statements

LIABILITIES AND EQUITY	2003 ThUS\$	2002 ThUS\$
CURRENT LIABILITIES:		
Banks and financial institutions:		
Short-term	581,778	335,524
Current portion of long-term debt	201,244	252,281
Current portion of bonds payable	8,240	3,607
Accounts payable	199,830	243,911
Notes payable	24	1,170
Other payables	22,189	23,003
Due to related companies	19,692	-
Accruals	153,134	166,657
Withholdings	46,180	49,954
Income taxes payable	174	132
Deferred income	4,901	9,334
Other current liabilities	1,798	2,232
Total current liabilities	<u>1,239,184</u>	<u>1,087,805</u>
LONG- TERM LIABILITIES:		
Due to banks and financial institutions	500,000	700,001
Bonds payable	904,810	300,000
Long-term notes payable	65,582	16,837
Miscellaneous payables	209	5,593
Accruals	548,908	502,552
Deferred taxes	984,179	895,087
Other long-term liabilities	3,098	7,814
Total long-term liabilities	<u>3,006,786</u>	<u>2,427,884</u>
MINORITY INTEREST	<u>769</u>	<u>703</u>
EQUITY:		
Paid-in capital	1,524,423	1,524,423
Other reserves	1,262,974	1,238,610
Profits distribution	(44,724)	(76,853)
Net income for the period	33,833	44,288
Total equity	<u>2,776,506</u>	<u>2,730,468</u>
TOTAL LIABILITIES AND EQUITY	<u><u>7,023,245</u></u>	<u><u>6,246,860</u></u>

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2002
(In thousands of U.S. Dollars -ThUS\$)**

	2003 ThUS\$	2002 ThUS\$
SALES	1,668,267	1,797,669
COST OF SALES	<u>(1,291,865)</u>	<u>(1,411,099)</u>
GROSS PROFIT	376,402	386,570
ADMINISTRATIVE AND SELLING EXPENSES	<u>(80,610)</u>	<u>(76,107)</u>
OPERATING INCOME	<u>295,792</u>	<u>310,463</u>
NON-OPERATING INCOME (EXPENSES):		
Financial income	3,645	3,953
Equity in income of related companies	10,346	208
Other income	42,261	43,184
Financial expense	(49,319)	(36,801)
Equity in losses of related companies	(9,789)	(30,177)
Other expense	(197,709)	(215,573)
Price-level restatement	488	(294)
Foreign currency translation	<u>(7,095)</u>	<u>27,015</u>
NON - OPERATING EXPENSES, NET	<u>(207,172)</u>	<u>(208,485)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	88,620	101,978
INCOME TAXES	<u>(55,093)</u>	<u>(57,686)</u>
INCOME BEFORE MINORITY INTEREST	33,527	44,292
MINORITY INTEREST	<u>306</u>	<u>(4)</u>
NET INCOME FOR THE PERIOD	<u><u>33,833</u></u>	<u><u>44,288</u></u>

The accompanying notes are an integral part of these consolidated financial statements

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2003 AND 2002
(In thousands of U.S. Dollars -ThUS\$)**

	2003 ThUS\$	2002 ThUS\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income for the period	33,833	44,288
Gain on sale of assets	(685)	-
Charges (credits) to income which do not represent cash flows:		
Depreciation	186,320	192,577
Amortization	41,766	45,187
Write-offs and accruals	171,622	101,727
Equity in income of related companies	(10,346)	(208)
Equity in losses of related companies	9,789	30,177
Price-level restatement	(488)	294
Foreign currency translation	7,095	(27,015)
Other credits to income which do not represent cash flows	(22,489)	(14,206)
(Increase) decrease in assets which affect operating cash flows:		
Trade receivables	(28,515)	(89,538)
Inventories	(102,216)	51,781
Other assets	(67,682)	14,504
Increase (decrease) in liabilities which affect operating cash flows:		
Accounts payable	(2,521)	(7,434)
Interest payable	(490)	(207)
Income tax payable	(192)	86
Value added tax and other similar taxes payable	(38,399)	10,197
Minority interest	(306)	4
Net cash provided by operating activities	<u>176,096</u>	<u>352,214</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans obtained	480,600	248,589
Other financing sources	5,182	-
Payment of loans	<u>(280,000)</u>	<u>(155,000)</u>
Net cash provided by financing activities	<u>205,782</u>	<u>93,589</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments in related companies	-	2,552
Proceeds from sale of other investments	3,728	-
Other investment income	23,840	15,075
Purchases of property, plant and equipment	(447,042)	(394,796)
Investment in related companies	(17,495)	(874)
Investments in financial instruments	(1,764)	-
Other investment disbursements	<u>(40,686)</u>	<u>(29,653)</u>
Net cash used in investing activities	<u>(479,419)</u>	<u>(407,696)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(97,541)	38,107
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>153,579</u>	<u>36,663</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>56,038</u>	<u>74,770</u>

The accompanying notes are an integral part of these consolidated financial statements

CORPORACION NACIONAL DEL COBRE DE CHILE AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Corporación Nacional del Cobre de Chile (“Codelco”, or the “Company”) is registered under the Securities Registry No. 785 of the Superintendency of Securities and Insurance. The Company is subject to the review of the Superintendency of Securities and Insurance.

The Company was formed as stipulated by Law Decree (D.L.) N° 1,350 dated 1976. Codelco is a state-owned mining, industrial and commercial company, which is a legal entity in itself and maintains its own equity. Codelco currently carries out its productive activities through its Codelco Norte, El Salvador, Andina, El Teniente and Talleres divisions. The Company also carries out similar activities in other mining deposits in association with third parties.

Codelco’s financial activities are conducted following a budgeting system that is composed of an Operations Budget, an Investment Budget and a Debt Amortization Budget.

The Company’s tax regime is established in D.L. Nos. 1,350 and 2,398.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Accounting periods - These consolidated financial statements cover the interim periods from January 1 to June 30, 2003 and 2002, respectively.

b. Basis of preparation - The consolidated financial statements have been prepared in accordance with generally accepted accounting principles pronounced by the Chilean Association of Accountants, and regulations of the Superintendency of Securities and Insurance.

Should any discrepancy exist between the previously mentioned principles and regulations, the regulations of the Superintendency of Securities and Insurance will prevail over generally accepted accounting principles in Chile.

c. Reporting currency - In accordance with Article 26 of D.L. N° 1,350, the Company’s accounting is kept in United States Dollars.

d. Basis of consolidation - In accordance with the regulations of the Superintendency of Securities and Insurance and Technical Bulletins issued by the Chilean Association of Accountants, the consolidated financial statements of the Company and its subsidiaries include the assets, liabilities, results of operations, and cash flows of the Company and its following subsidiaries:

Entity	Equity investment			
	06/30/2003			06/30/2002
	Direct %	Indirect %	Total %	Total %
Chile Copper Limited - England	99.9900	0.0100	100.0000	100.0000
Codelco Group USA Inc. - United States	99.9900	0.0100	100.0000	100.0000
Codelco International Limited - Bermuda	99.9900	0.0100	100.0000	100.0000
Codelco K�upferhandel GMBH - Germany	99.9900	0.0100	100.0000	100.0000
Codelco Services Limited	0.0000	100.0000	100.0000	100.0000
Metall Agentur GMBH	0.0000	100.0000	100.0000	100.0000
Codelco Metals Inc.	0.0000	100.0000	100.0000	100.0000
Codelco Technologies Ltd.	0.0000	100.0000	100.0000	100.0000
Codelco Do Brasil Mineracao S.A.	0.0000	100.0000	100.0000	100.0000
Taraguaca S.A.	0.0000	51.0000	51.0000	51.0000
Compa�ia Minera Picacho SCM	99.9900	0.0100	100.0000	100.0000
Compa�ia Contractual Minera Los Andes	99.9700	0.0300	100.0000	100.0000
Isapre Chuquicamata Limitada	98.3000	0.0000	98.3000	98.3000
Elaboradora de Cobre Chilena Limitada	99.0000	1.0000	100.0000	100.0000
Asociaci�n Garantizadora de Pensiones	96.6900	0.0000	96.6900	96.6900
Isapre San Lorenzo Limitada	99.9500	0.0000	99.9500	99.9500
Isapre R�o Blanco Limitada	99.9900	0.0100	100.0000	100.0000
CMS - Chile Sistema y Equipos Mineros S.A.	99.9900	0.0100	100.0000	100.0000
Ejecutora Proyecto Hospital del Cobre Calama	99.9900	0.0100	100.0000	100.0000
Complejo Portuario Mejillones S.A.	99.9000	0.1000	100.0000	100.0000
Instituto de Innovaci�n en Miner�a y Metal�rgica S.A.	99.9300	0.0000	99.9300	99.9300
Santiago de R�o Grande S.A.	99.9800	0.0200	100.0000	100.0000
CMS Tecnolog�a S.A.	17.5000	82.5000	100.0000	100.0000
Sociedad Geot�rmica del Norte S.A.	50.0100	0.0000	50.0100	50.0100
Biosigma S.A.	66.6700	0.0000	66.6700	0.0000

All balances, unrealized gains and significant intercompany transactions between the consolidated entities have been eliminated in consolidation, and the participation of minority investors has been recorded as minority interest in the consolidated financial statements.

Even though the subsidiaries Complejo Portuario Mejillones S.A. and Compa ia Contractual Minera Los Andes S.A. are in their development stage, they have been included in the consolidation.

Given that the Company does not have control of the management of Electroandina S.A. and Inversiones Mejillones S.A., and that, in accordance with generally accepted accounting principles in Chile, the conditions required to include these subsidiaries are not met, they have not been included in consolidation.

- Electroandina S.A.

Codelco has a direct ownership interest in Electroandina S.A. of 34.8% and an indirect ownership interest through Inversiones Tocopilla Ltda., where Codelco has an ownership interest of 49% and its strategic partner Tractebel Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Electroandina S.A.

- Inversiones Mejillones S.A.

Codelco has a direct ownership interest in Inversiones Mejillones S.A. of 34.8% and an indirect ownership interest through Inversiones Tocopilla Ltda., where Codelco has a 49% interest and its strategic partner Tractebel Andino S.A. has an interest of 51%. Inversiones Tocopilla Ltda. owns 65.2% of the shares of Inversiones Mejillones S.A.

e. Constant currency restatement - The financial statements of the Chilean subsidiaries, which keep their accounting records in Chilean pesos, have been price-level restated to recognize the effects of the variation in the currency's purchasing power during each period. In line with this, restatements for inflation have been determined using the figures reported by the Chilean Institute of Statistics. The variations reported by the aforementioned Institute for the six month periods ended June 30, 2003 and 2002 were 1.1% and 0.6%, respectively.

f. Basis of conversion - The Company's assets and liabilities in pesos, mainly composed of cash, accounts receivable, investments in companies in Chile, accounts payable and accruals, have been expressed in United States dollars at the observed exchange rate at each period closing date of Ch\$699.12 per US dollar as of June 30, 2003 (2002: Ch\$697.62 per US dollar).

UF-Denominated Assets and Liabilities

At June 30, 2003 and 2002, assets and liabilities denominated in UF (an inflation index-linked unit used in Chile) have been translated using the US\$/UF rates effective on the closing dates of the financial statements (2003: US\$24.25860; 2002: US\$23.44428).

The Company's income and expenses in Chilean pesos have been translated into US dollars at the observed exchange rate on the date in which each transaction was recorded in the accounting records.

Exchange differences are charged or credited to income.

The average exchange rate for the period from January 1 to June 30, 2003 was Ch\$723.76 per US dollar (2002: Ch\$665.23 per US dollar).

Chilean Subsidiaries

Assets and liabilities and income statement accounts in pesos as of June 30, 2003 and 2002 have been translated into US dollars at the exchange rates on those dates (2003: Ch\$ 699.12 per US dollar, 2002: Ch\$697.62 per US dollar).

Foreign subsidiaries

As of June 30, 2003 and 2002, the financial statements of foreign subsidiaries have been translated from their respective foreign currencies into US dollars using the exchange rates as of the respective period end, as follows:

	2003 US\$	2002 US\$
British Pound Sterling	1.65563	1.53846
Euro	1.14982	1.01010
Mexican peso	0.09579	0.10060

g. Time deposits - Time deposits are recorded at acquisition cost plus corresponding interest accrued at each period closing date.

h. Marketable securities - Marketable securities include mutual fund units stated at market value and other instruments stated at the lower of cost or market value.

i. Inventories - Inventories are valued at cost, which does not exceed their net realizable value. Cost has been determined using the following methods:

- Finished products and products in process

Following the full-cost method, finished products and products in process are valued at average production cost. Production costs include depreciation of property, plant and equipment and indirect expenses.

- Materials in warehouse

Materials in warehouse are valued at acquisition cost.

The Company calculates an obsolescence provision considering the length of time in stock of slow turnover materials in warehouse.

- Materials in transit

Materials in transit are valued at cost incurred through period-end.

j. Allowance for doubtful accounts - Management estimates the allowance for doubtful accounts based on its experience and analysis.

k. Property, plant and equipment - Property, plant and equipment are expressed in US dollars and valued at historical cost as increased by technical appraisals made by The American Appraisal Co. and recorded during 1982 to 1984, net of accumulated depreciation.

Construction in progress includes the amounts invested in property, plant and equipment under construction and in mining development projects.

Codelco does not capitalize interest.

l. Depreciation - Depreciation of property, plant and equipment is calculated using the straight-line method on the book values of property, plant and equipment, including the revaluation mentioned in Note 2(k) above, and the estimated useful lives of the assets.

m. Exploration, mine development and mine operating costs

- Deposit exploration and drilling costs

Deposit exploration and drilling costs are incurred in the identification of mineral deposits and the determination of their possible commercial viability and are charged to income as incurred.

- Mine pre-operation and development costs

Costs incurred during the development phase of projects up to the production phase are capitalized and amortized in relation to future mineral production. These costs include extraction of waste material, building the mine's infrastructure and other work carried out prior to the production phase.

- Costs of developing existing mines

These costs are for the purpose of maintaining the production volumes of deposits and are charged to income at the time incurred.

- Costs for delineating new deposit areas in exploitation and of mining operations

These costs are recorded in property, plant and equipment and are amortized into income in the period in which the benefits are obtained.

n. Leased assets - Property, plant and equipment recorded by the subsidiaries through financial leasing contracts are recorded as other fixed assets. These assets have been valued at their current value applying the implicit interest rate in the contracts and are depreciated using the straight-line method based on the useful lives of the assets. The Company does not legally own these assets until it exercises the respective purchase option.

o. Investments in related and other companies - Investments in domestic and foreign related companies are valued using the equity method in accordance with Technical Bulletins issued by the Chilean Association of Accountants. Equity method investments, which are accounted for in Chilean pesos and are controlled in that currency, are expressed in US dollars at the period-end exchange rate. From January 1, 2002, differences which arise and are unrelated to the recognition of net income are recognized in Other reserves in Equity. For applying the equity method, investments in foreign subsidiaries are controlled in US dollars.

Unrealized gains related to investments in related companies are credited to income in relation to the amortization of the transferred assets or mine production, where applicable.

Investments in other companies are presented at acquisition cost, which does not exceed market value.

p. Intangibles - Intangibles are recorded at the amount of the effective disbursements made and are amortized in 40 years in accordance with Technical Bulletin N° 55 issued by the Chilean Association of Accountants.

q. Income tax and deferred income taxes - The Company provides for income taxes in accordance with current regulations, including the first category tax and an additional 40% tax applied to state-owned entities as specified by D.L. N° 2,398. Law N° 19,753 established a progressive increase in the first category tax rate to 16% for 2002, 16.5% for 2003 and 17% for 2004 and thereafter.

The Company recognizes the effects of deferred income taxes arising from temporary differences, which have a different treatment for book and tax purposes, in accordance with the Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency of Securities and Insurance.

r. Severance indemnities - The Company has an agreement with its employees for payment of severance indemnities. It is Codelco's policy to provide for the total accrued obligation at current value.

s. Revenue recognition - Revenue is recognized at the time of shipment or delivery in conformity with contractual agreements and is subject to variations in contents and/or the sales price at the transaction settlement date. A provision is made for estimated decreases in sales values on unsettled operations at the end of the period based on the information available as of the date the financial statements are prepared. Sales in Chile are recorded in accordance with Chilean regulations.

t. Futures contracts - The Company's contracts in futures markets are entered into based on the following hedging policies:

- Hedging operations, which have to be approved by the Board of Directors, in metal futures markets are entered into in order to protect the Company from risks inherent to the fluctuation of the price of metals. This hedging policy has the purpose of protecting cash flows associated with sales operations and therefore these operations have been considered as hedging contracts for anticipated transactions. In accordance with the provisions of Technical Bulletin No. 57 issued by the Chilean Association of Accountants, the result of these hedging transactions is recorded at the date of settlement of the operations, as part of the proceeds from the sale of the products. In other words, the Company conducts these futures operations in order to adjust the sales contracts to the commercial policy. The settlement of these operations coincides with the accounting for corresponding transactions and, therefore, when sales commitments are fulfilled, sales contracts' and future contracts' results are offset.
- Hedging policies for exchange rates and interest rates.

Exchange rate hedges include contracts which mitigate the risk of fluctuations between the UF and the US\$ exchange rate for UF denominated bonds payable.

Interest rate hedges include contracts at fixed interest rates for future obligations denominated in US dollars.

The results of the exchange rate hedging contracts are recorded as of the date of maturity or settlement of the respective contracts, in conformity with Technical Bulletin No. 57 issued by the Chilean Association of Accountants.

The results of the hedging contracts for interest rates for future liabilities are amortized over the term of those liabilities.

Operations carried out in futures markets are not of a speculative nature.

u. Computer software - Computer systems developed through the use of the Company's own human resources and materials are charged to results in the period in which they are incurred.

In accordance with Circular N° 981 dated June 28, 1990 of the Superintendency of Securities and Insurance, computer systems acquired by the Company are capitalized at acquisition cost plus all related costs, and are amortized over a period not exceeding four years.

v. Research and development expenses - Research and development expenses are charged to income as incurred.

w. Statement of cash flows - Cash and cash equivalents includes unrestricted cash and bank balances, time deposits and financial instruments, classified as short-term marketable securities, with maturity within 90 days, in accordance with Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency of Securities and Insurance.

The Company has recognized cash flows from operating, investing or financing activities as required by Technical Bulletins issued by the Chilean Association of Accountants and the regulations of the Superintendency of Securities and Insurance.

x. Bonds - Bonds are presented at principal owed plus accrued interest at each period close. The discount arising on bond issuance is capitalized as deferred expenses, is shown in Other under Other Assets, and is amortized using the straight-line method over the term of the bonds.

y. Environmental exit costs - The Company has established a policy of accruing for future environmental exit costs, which mainly relate to the situation of tailing dams, which, subsequent to the end of their useful lives, continue to incur expenses. This policy allows for the allocation of environmental exit costs during their exploitation stage.

z. Law N° 13,196 - Law No. 13,196 requires the payment of a 10% contribution to the Chilean government on the export value of copper production and related by-products. The amount involved is shown in Other expenses in the interim statements of income.

aa. Cost of sales - The cost of sales includes direct and indirect costs and depreciation and amortization related to the production process.

ab. Cost of bond issuance - The total amount of bond issuance cost is charged to results for the period, as established in Circular N° 1,370 dated January 30, 1998 of the Superintendency of Securities and Insurance.

ac. Reclassifications - For comparative purposes with the 2003 financial statements, certain 2002 figures have been reclassified.

3. CHANGES IN ACCOUNTING PRINCIPLES

From January 1 to June 30, 2003, there were no changes in accounting policies with respect to the prior period.

4. CURRENT AND LONG-TERM RECEIVABLES

Current accounts, notes and other receivables and related allowances for doubtful accounts as of each June 30, are as follows:

	Less than 90 days		Current 90 days to 1 year		Total		Long-term	
	2003	2002	2003	2002	2003	2002	2003	2002
	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Trade receivables	255,786	296,788	-	-	255,786	296,788	-	-
Allowance for doubtful accounts					(2,050)	(2,282)	-	-
Total					253,736	294,506	-	-
Notes receivable	2,647	88	-	-	2,647	88	-	-
Other receivables	23,828	39,527	87,140	107,356	110,968	146,883	92,811	81,304
Allowance for doubtful accounts					(14,095)	(13,837)	-	-
Total					96,873	133,046	92,811	81,304

Current and long-term accounts receivable by region as of June 30, 2003 and 2002 are as follows:

Country / Region	As of June 30,			
	2003		2002	
	ThUS\$	%	ThUS\$	%
Chile	222,414	49.86	253,048	49.72
Europe and Africa	103,055	23.10	119,687	23.52
Asia	96,669	21.67	107,406	21.10
North America	17,323	3.88	21,116	4.15
Rest of South America	6,606	1.49	7,687	1.51
Total	446,067	100.00	508,944	100.00

5. TRANSACTIONS WITH RELATED COMPANIES

The Company's policies for transactions with related companies are specifically defined by the Company's Board of Directors and regulated by the Company's management. The Company, acting in accordance with current applicable regulations and within the normal scope of its business, carries out transactions with related entities or parties, under fair conditions, which are similar to those usually prevailing in the market when they are carried out.

Accounts receivable from related companies are expressed in United States dollars and subject to interest rates which do not exceed market rates.

The principal transactions with related companies relate to commercial and financial operations. Commercial operations refer to the purchase and sale of products or services and financial operations refer mainly to loans in current accounts which are subject to inflation restatements and interest under the agreed payment conditions.

a. Notes and accounts receivable from related companies:

Company name	As of June 30,			
	Current		Long-term	
	2003	2002	2003	2002
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Sociedad Contractual Minera El Abra	1,069	-	35,849	36,654
Electroandina S.A.	194	-	45,400	37,607
Agua de La Falda S.A.	29	125	-	-
Total	<u>1,292</u>	<u>125</u>	<u>81,249</u>	<u>74,261</u>

b. Notes and accounts payable to related companies:

Company name	As of June 30,			
	Short term		Long term	
	2003	2002	2003	2002
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Electroandina S.A.	8,264	-	-	-
Sociedad Contractual Minera El Abra	11,428	-	-	-
Total	<u>19,692</u>	<u>-</u>	<u>-</u>	<u>-</u>

c. Transactions - An analysis of transactions with related companies is as follows:

Company name	Relation	Description of the transaction	As of June 30,			
			2003		2002	
			Amount	Effect on	Amount	Effect on
			income		income	
			ThUS\$	ThUS\$	ThUS\$	ThUS\$
Electroandina S.A.	Affiliate	Purchase of electricity	61,060	(61,060)	58,948	(58,948)
		Interest income	878	878		
S.C. Minera El Abra	Affiliate	Purchase of copper	75,745	(75,745)	93,872	(93,872)
		Sale of copper	31,546	6,110	78,632	9,684
		Interest income	425	425	524	524

6. INVENTORIES

The breakdown of inventories is as follows:

	As of June 30,	
	2003 ThUS\$	2002 ThUS\$
Finished products	284,593	130,618
Work in progress	191,874	207,062
Materials in warehouse and others	120,328	119,811
Total	<u>596,795</u>	<u>457,491</u>

The value of inventories is presented net of the obsolescence allowance for materials in warehouse of ThUS\$32,158 and ThUS\$30,152 as of June 30, 2003 and 2002, respectively.

7. INCOME AND DEFERRED TAXES

a. Deferred tax

In accordance with Law No. 19,753 and Technical Bulletin No. 71 issued by the Chilean Association of Accountants, the Company has recognized the effects of the increase in the tax rate. Deferred taxes calculated under the criteria in Note 2 (q) represent a net liability of ThUS\$951,872 and ThUS\$872,899 as of June 30, 2003 and 2002.

b. Income tax

- As of June 30, 2003, the provision for first category income tax and that required by D.L. No. 2,398 amounts to ThUS\$9,502 (2002: ThUS\$7,895) and is shown net of estimated monthly payments of taxes and of other tax credits in income taxes recoverable in current assets.
- In the subsidiaries, this income tax provision amounted to ThUS\$287 in 2003 and ThUS\$367 in 2002 and is shown in Income tax payable net of estimated monthly tax payments and other tax credits.

c. Deferred taxes

Temporary differences	As of June 30,							
	2003				2002			
	Asset		Liability		Asset		Liability	
Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	Long-term	
ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	
Allowance for doubtful accounts	4,128	5,568	-	-	3,964	4,363	-	-
Vacation accrual	25,573	-	-	-	25,740	-	-	-
Depreciation of fixed assets	4	-	-	1,222,825	-	-	59,294	1,096,159
Leasing	-	-	2	-	-	-	-	-
Severance liability	9	9	-	32	-	-	-	-
Other events	90	22,231	-	1,372	15,334	19,109	84	849
Obsolescence	75	18,330	-	-	16,645	-	-	-
Contingencies	-	44,603	-	-	-	21,715	-	-
Environmental exit costs provision	-	44,289	-	-	-	35,054	-	-
Hedging bonds	-	-	-	40,816	-	-	3,927	19,970
Collective bargaining bonus	-	-	-	10,075	-	-	-	20,108
Unrealized gains	-	155,911	-	-	23,810	161,758	-	-
Prices provision	2,430	-	-	-	-	-	-	-
Total	32,309	290,941	2	1,275,120	85,493	241,999	63,305	1,137,086

d. Income tax expense:

Item	Period ended June 30.	
	2003 ThUS\$	2002 ThUS\$
Current tax	(9,789)	(8,262)
Deferred tax	(45,304)	(49,424)
Total	(55,093)	(57,686)

8. PROPERTY, PLANT AND EQUIPMENT

The composition of property, plant and equipment is as follows:

a. Property, plant and equipment:

	<u>As of June 30,</u>	
	<u>2003</u>	<u>2002</u>
	ThUS\$	ThUS\$
Land		
Land	29,363	38,521
Mining rights	159	159
	<u>29,522</u>	<u>38,680</u>
Buildings and infrastructure		
Infrastructure	1,782,064	1,743,619
Buildings	1,855,684	1,831,597
Housing	129,679	130,186
Construction in progress	994,550	580,753
Development of mines and mining operations	1,128,255	1,064,862
Forestation and forest development	900	1,006
Buildings and infrastructure of subsidiaries	88,328	17,903
	<u>5,979,460</u>	<u>5,369,926</u>
Machinery and equipment		
Machinery and equipment	4,698,782	4,656,705
Transportation equipment	597,515	571,038
Furniture and fixtures	27,049	30,488
Machinery and equipment of subsidiaries	9,626	11,199
	<u>5,332,972</u>	<u>5,269,430</u>
Other fixed assets	356	1,219
Technical appraisal revaluation	383,247	418,217
	<u>11,725,557</u>	<u>11,097,472</u>
Total gross property, plant and equipment		

b. Accumulated depreciation

	As of June 30,	
	2003	2002
	ThUS\$	ThUS\$
Buildings and infrastructure		
Infrastructure	1,441,736	1,303,416
Buildings	1,257,932	1,217,327
Housing	170,908	170,532
Development of mines and mining operations	480,491	443,013
Sub total	<u>3,351,067</u>	<u>3,134,288</u>
Machinery and equipment		
Machinery and equipment	3,023,212	2,954,818
Transportation equipment	341,649	325,032
Furniture and fixtures	25,052	27,948
Sub total	<u>3,389,913</u>	<u>3,307,798</u>
Accumulated depreciation - subsidiaries	<u>5,289</u>	<u>5,364</u>
Total accumulated depreciation	<u><u>6,746,269</u></u>	<u><u>6,447,450</u></u>

c. Depreciation for the period:

	Period ended June 30,	
	2003	2002
	ThUS\$	ThUS\$
Buildings and infrastructure		
Infrastructure	31,279	32,040
Buildings	29,739	29,996
Housing	1,272	1,294
Development of mines and mining operations	41,766	44,548
Sub total	<u>104,056</u>	<u>107,878</u>
Machinery and equipment		
Machinery and equipment	99,916	107,079
Transportation equipment	23,321	21,635
Furniture and fixtures	166	172
Sub total	<u>123,403</u>	<u>128,886</u>
Depreciation and amortization of subsidiaries	<u>627</u>	<u>1,000</u>
Total depreciation and amortization for the period	<u><u>228,086</u></u>	<u><u>237,764</u></u>

d. Technical appraisal:

As of June 30, 2003	Technical appraisal revaluation			Property, plant and equipment, net ThUS\$
	Property, plant and equipment ThUS\$	Accumulated depreciation ThUS\$	Depreciation for the period ThUS\$	
Building	113,143	100,511	1,709	12,632
Transportation equipment	850	737	5	113
Housing	56,846	48,931	871	7,915
Machinery	10,575	9,533	126	1,042
Furniture and fixtures	26	25	-	1
Infrastructure	201,807	175,565	1,418	26,242
Total	383,247	335,302	4,129	47,945

As of June 30, 2002	Technical appraisal revaluation			Property, plant and equipment, net ThUS\$
	Property, plant and equipment ThUS\$	Accumulated depreciation ThUS\$	Depreciation for the period ThUS\$	
Building	129,924	113,198	2,040	16,726
Transportation equipment	850	727	5	123
Housing	58,709	48,950	906	9,759
Machinery	14,062	12,695	169	1,368
Furniture and fixtures	26	24	-	2
Infrastructure	214,646	185,424	1,703	29,221
Total	418,217	361,018	4,823	57,199

e. Other fixed assets

Other fixed assets include assets acquired under capital leases as follows:

	As of June 30,	
	2003	2002
	ThUS\$	ThUS\$
Leasing:		
Machinery and equipment		
Machinery and equipment	67	185
Transportation equipment	<u>11</u>	<u>506</u>
Total	<u>78</u>	<u>691</u>
Accumulated depreciation:		
Machinery and equipment		
Machinery and equipment	2	19
Transportation equipment	<u>66</u>	<u>155</u>
Total	<u>68</u>	<u>174</u>

Additional information

Assets acquired through capital leases and presented in other fixed assets of subsidiaries have the following characteristics:

Contract currency	:	UF
Average annual interest rate	:	8%
Amortization period	:	4 months including purchase option
Principal	:	89.00

9. INVESTMENTS IN RELATED COMPANIES

In general, the Company's foreign subsidiaries facilitate the commercial activity of the Company in distinct foreign markets.

The Company has not assumed any liabilities as hedging instruments to cover its foreign investments.

Additional information:

- Agua de la Falda S.A.

In 1996, Agua de la Falda S.A. was formed by Codelco (49%) and Minera Homestake (51%).

The company's business objective is the exploration and exploitation of gold and other ore deposits in Region III of Chile.

- Minera Pecobre S.A. de C.V.

Minera Pecobre S.A. de C.V. is a Mexican company with variable capital formed by the Mexican company Minas Peñoles S.A. de C.V. and Codelco, with share holdings of 51% and 49%, respectively.

The company's line of business is the exploration of copper and by-products in mining area concessions in the state of Sonora, Mexico. Through other mining companies, the company also explores, processes and disposes of ore found in the mining areas.

- Inversiones Tocopilla Ltda. and Electroandina S.A.

Inversiones Tocopilla Ltda. is a holding company in which Inversora Eléctrica Andina S.A. (a consortium of Powerfin S.A. of Belgium, Iberdrola S.A. of Spain and Enagas S.A. of Chile) has a 51% interest and Codelco 49%.

The principal business of Electroandina S.A., a publicly-traded company, is the generation, transmission and distribution of electric energy in Region II of Chile. Inversiones Tocopilla Ltda. holds 65.2% and Codelco holds 34.8%. The main assets of Electroandina S.A. were acquired from the Company's former Tocopilla Division.

- Sociedad Contractual Minera El Abra

Sociedad Contractual Minera El Abra was formed in 1994 by Codelco-Chile (49%) and Cyprus El Abra Company (51%), with Cyprus Amax Minerals Company as a guarantor, both linked to the Phelps Dodge mining consortium, to develop and exploit the El Abra deposit.

Codelco's investment in the project consisted of the contribution of a number of mining properties. The financing agreements for the project became effective June 15, 1995 and include the following obligations during the term of the agreements:

- a) A long-term trading agreement with Codelco Services Ltd. for a portion of the production of El Abra.
- b) The commitment from the partners to maintain majority ownership of the property of Sociedad Contractual Minera El Abra.
- c) A pledge on the ownership rights of Sociedad Contractual Minera El Abra in favor of the lending institutions.

- Inversiones Mejillones S.A.

Inversiones Mejillones S.A. was formed as a company on March 20, 2002, with direct ownership of 34.8% by Codelco Chile and 65.2% by Inversiones Tocopilla Ltda. Codelco owns 49% of the capital of Inversiones Tocopilla Ltda.

Inversiones Mejillones S.A., was formed with the objectives of acquiring 82.34% of the shares of Empresa Eléctrica del Norte S.A. (Edelnor), rescheduling its financial obligations and coordinating the operations of Electroandina S.A. (of which Codelco and Inversiones Tocopilla Ltda. are partners) and Edelnor S.A.

Additional information on unrealized gains

The Company has recorded unrealized gains on the contribution of mining properties, property, plant and equipment and ownership rights.

The most significant transactions are detailed as follows:

- Sociedad Contractual Minera El Abra

The Company contributed mining rights to Sociedad Contractual Minera El Abra in 1994. At June 30, 2003, a gain of ThUS\$10,144 (ThUS\$0 in 2002) was recognized.

- Electroandina S.A.

This is an unrealized gain on the contribution of fixed assets. The gain will be recognized over ten years through 2006. At June 30, 2003, gains of ThUS\$9,079 (ThUS\$9,079 in 2002) were recognized

- Inversiones Tocopilla Ltda.

This is an unrealized gain on the initial contribution of ownership rights. The gain will be recognized over ten years through 2006. At June 30, 2003, gains of ThUS\$3,266 (2002, ThUS\$3,266) were recognized.

The detail of investments is as follow:

Company	Number of shares	Percentage owned		Equity in income (loss)		Unrealized gain		Book value of the investment	
		2003	2002	2003	2002	2003	2002	2003	2002
		%	%	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Agua de La Falda S. A.	17,052	49.00	49.00	(405)	206	-	-	5,582	6,345
Minera Pecobre S.A. de C. V.	481,794	49.00	49.00	(1,214)	(1,111)	-	-	1,034	751
Electroandina S.A.	126,319,895	34.80	34.80	396	(3,439)	(48,424)	(66,582)	52,617	29,620
Inversiones Tocopilla Ltda.	-	49.00	49.00	3,623	(5,818)	(17,419)	(23,950)	115,625	82,277
S.C. Minera El Abra	49,000	49.00	49.00	(7,733)	(19,809)	(207,570)	(224,652)	54,843	64,680
Minera Yabricoya SCM	32,400	45.00	45.00	(11)	2	-	-	-	44
Inversiones Mejillones S.A.	18,671	34.80	-	6,327	-	-	-	29,021	-
Alliance Copper Limited	32,850,000	50.00	50.00	(426)	-	(5,001)	-	25,267	-
Total						(278,414)	(315,184)	283,989	183,717

10. OTHER ASSETS

Other assets are as follows:

	<u>As of June 30,</u>	
	<u>2003</u>	<u>2002</u>
	ThUS\$	ThUS\$
Initial filling of plant (1)	15,638	17,008
Interest rate hedging (2)	71,607	41,924
Deferred expenses of collective bargaining (3)	17,676	35,277
Complementary activities (4)	39,942	7,056
Discount on bonds (5)	9,040	-
Nueva Calama integration project (6)	96,043	50,436
Hedging - exchange rates (7)	5,328	-
Other	<u>1,771</u>	<u>2,257</u>
Total other assets	<u>257,045</u>	<u>153,958</u>

- (1) Corresponds mainly to expenses for initial filling of the Radomiro Tomic Division Leaching Plant, which are amortized over five years starting in 2000.
- (2) Corresponds to variations in hedging operations on interest rates related to bond obligations, which are amortized using the straight-line method over the terms of the respective obligations up to September 2008.
- (3) Corresponds to the bonus for completion of the collective bargaining, which is amortized over the term of each collective bargaining agreement.
- (4) Corresponds to disbursements related to improvements of tailing dams and hydro and geological activities, which are amortized over a maximum period of 6 years, depending on the related activity.
- (5) Corresponds to bond discount on issues made in Chile and United States. These are amortized using the straight-line method over the term of these bonds (2012 being the maturity date).
- (6) Corresponds to expenses incurred in moving the camp from Chuquicamata to Calama city and development of the mine, by the extension of wastes heaps and by improvement of the environmental conditions in the camp.
- (7) Corresponds to the net account receivable in connection with hedging contracts on exchange rates entered into to protect the Company against future variation of the US\$/UF rate applicable to the UF denominated bonds.

11. SHORT-TERM DEBT DUE TO BANKS AND FINANCIAL INSTITUTIONS

a. Short-term obligations

Bank or financial institution	Currency	As of June 30,	
		2003 ThUS\$	2002 ThUS\$
San Paolo Imi SPA	US\$	45,037	35,147
Santander Central Hispano	US\$	125,414	60,422
Standard Chartered Bank	US\$	-	20,174
Banco Bilbao Vizcaya	US\$	55,127	25,259
Banca Nazionale Del Lavoro	US\$	30,003	25,252
The Bank of Paris	US\$	-	20,170
The Bank of Tokio-Mitsubishi	US\$	40,097	-
Citibank N.A.	US\$	70,081	-
Banca Di Roma	US\$	20,164	-
The Royal Bank of Canada	US\$	50,113	-
Toronto Dominion Bank	US\$	35,600	-
Banco De Chile	US\$	80,135	80,095
Banco Santiago	US\$	-	60,143
ABN Amro Bank (Chile)	US\$	30,007	-
Others	US\$	-	8,504
Others	Ch\$	-	358
Total		<u>581,778</u>	<u>335,524</u>
Principal outstanding		<u>580,600</u>	<u>325,000</u>
Annual average interest rate		<u>1.58%</u>	<u>2.26%</u>
Percentage of obligations in foreign currency (1)		100.00%	99.89%
Percentage of obligations in national currency		-	0.11%
		<u>100.00%</u>	<u>100.00%</u>

(1) Obligations in US dollars are considered as foreign currency for the purposes of this disclosure.

b. Current portion of long-term obligations

Bank or financial institution	Currency	As of June 30,	
		2003 ThUS\$	2002 ThUS\$
JP Morgan – The Chase Manhattan Bank	US\$	201,110	252,281
Citibank N.A.	US\$	134	-
TOTAL		<u>201,244</u>	<u>252,281</u>
Principal outstanding	US\$	<u>200,000</u>	<u>250,000</u>
Annual average interest rate		<u>1.66%</u>	<u>2.47%</u>
Percentage of obligations in foreign currency (1)		<u>100%</u>	<u>100%</u>

(1) Obligations in US dollars are considered as foreign currency for the purposes of this disclosure.

12. BANKS AND FINANCIAL INSTITUTIONS-LONG TERM

These obligations accrue interest at variable rates based on Libor.

Bank or financial institution	Currency	At of June 30, 2003			Annual average interest rate %	At of June 30, 2002
		Years to maturity		Total ThUS\$		Total ThUS\$
		After 1 year but within 2years ThUS\$	After 3 years but within 5 years ThUS\$			
JP Morgan-The Chase Manhattan Bank	US\$	200,000	-	200,000	1.85	700,000
Citibank N.A.	US\$	-	300,000	300,000	1.46	-
Other	Ch\$	-	-	-		1
Total		<u>200,000</u>	<u>300,000</u>	<u>500,000</u>		<u>700,001</u>
Percentage of obligations in foreign currency (1)				<u>100%</u>		<u>100%</u>

(1) Obligations in US dollars are considered as foreign currency for the purposes of this disclosure.

13. SHORT AND LONG-TERM BONDS PAYABLE

On May 4, 1999, the Company issued and placed bonds in the North American market, under Regulation 144-A, for a nominal amount of ThUS\$300,000. These bonds are mature in a single installment on May 1, 2009, at an interest rate of 7.375% per annum with interest paid semi-annually.

On November 18, 2002, the Company issued and placed bonds in the domestic market, under the regulations of the Superintendency of Securities and Insurance. This bond was issued for nominal amount of UF 7,000,000, (equivalent to ThUS\$169,810) of a single series denominated A Series, and is represented by 70,000 certificates of UF 100 each. These bonds are repayable in a single installment on September 1, 2012, at an interest rate of 4.0% per annum with interest paid semi-annually.

On November 30, 2002, the Company issued and placed bonds in the North American market, under Regulation 144-A, for a nominal amount of ThUS\$435,000. These bonds mature in a single installment on November 30, 2012, at an interest rate of 6.375% per annum with interest paid semi-annually.

Instrument	Currency	Interest rate %	Maturity date	As of June 30,	
				Par value	
				2003 ThUS\$	2002 ThUS\$
Bond interest payable 144A	US\$	7.375	Semi-annual	3,688	3,607
Bond interest payable	UF	4.000	Semi-annual	2,241	-
Bond interest payable 144A	US\$	6.375	Semi-annual	2,311	-
Total				<u>8,240</u>	<u>3,607</u>
Long-term bond 144A	US\$	7.375	May-1-2009	300,000	300,000
Long-term bond	UF	4.000	Nov-18-2012	169,810	-
Long-term bond 144A	US\$	6.375	Nov-30-2012	435,000	-
Total				<u>904,810</u>	<u>300,000</u>

14. ACCRUALS

The composition of current and long-term accruals is as follows:

Item	As of June 30,			
	Current		Long-term	
	2003 ThUS\$	2002 ThUS\$	2003 ThUS\$	2002 ThUS\$
Interest rate - hedging	2,023	196	-	-
Freight-out and handling (1)	2,921	2,861	-	-
Customs, freight-in and related costs (2)	12,497	14,233	-	-
Others employee benefits	6,639	1,747	33,115	30,452
Severance indemnity	25,161	25,111	380,798	358,923
Export tax (Law 13196)	15,882	19,868	-	-
Payroll (3)	24,052	32,776	-	-
Vacations	44,893	44,976	-	-
Miscellaneous	19,066	24,889	2,248	12,253
Environmental exit costs (4)	-	-	77,700	61,499
Contingencies	-	-	55,047	39,425
Total	153,134	166,657	548,908	502,552

- (1) Corresponds to a provision related to cost of sales, including freight expenses, loading, and unloading not invoiced as of the end of the period.
- (2) Corresponds to provision for customs duties, freight charges on purchases, and electricity, among others.
- (3) Corresponds to benefits granted to the Company's employees which are accrued as of the closing date of these financial statements, including Christmas and Independence Day bonuses, other bonuses, legal employee bonuses and other benefits.
- (4) Corresponds to the policy established by the Company with respect to the provision of future environmental exit costs of mines, which principally relate to the clean up of tailing dams.

15. SEVERANCE INDEMNITIES

The evolution in the accrual for severance indemnities is summarized as follows:

	As of June 30,			
	Current		Long-term	
	2003	2002	2003	2002
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Balance as of January 1	24,543	26,513	363,488	370,980
Payments made	(12,497)	(8,863)	-	-
Provision for the period (including effects for variations in exchange rates)	-	-	30,425	(4,596)
Transfer to current	13,115	7,461	(13,115)	(7,461)
Total	<u>25,161</u>	<u>25,111</u>	<u>380,798</u>	<u>358,923</u>

16. MINORITY INTEREST

The detail of minority interest included in liabilities and net income is as follows:

Companies	As of June 30,			
	2003		2002	
	Liabilities	Net income	Liabilities	Net income
	ThUS\$	ThUS\$	ThUS\$	ThUS\$
Asociación Garantizadora de Pensiones	21	1	23	-
Complejo Portuario Mejillones S.A.	-	-	19	-
Biosigma S.A.	932	42	-	-
CMS Chile S.A.	(1)	-	-	-
Inst. de Innov. en Min. y Metalúrgica S.A.	2	-	2	-
Isapre Chuquicamata Ltda.	28	-	28	-
Sociedad Contractual Minera Los Andes	-	-	2	-
Isapre Río Blanco Ltda.	1	-	-	-
Sociedad Elab. de Cobre Chilena Ltda.	-	-	3	-
Sociedad Geotérmica del Norte S.A.	(214)	263	626	(4)
Total	<u>769</u>	<u>306</u>	<u>703</u>	<u>(4)</u>

17. EQUITY

The Company was formed by D.L. No. 1350 dated 1976, which establishes that all net income generated by the Company goes to the benefit of the Chilean Government after deducting amounts that, with a charge to net earnings for each year, must be maintained in Other Reserves as established in Article Six of Decree Law N° 1350, dated 1976, as well as included in propositions made by the Board of Directors to the Ministry of Mining and the Ministry of Finance.

The composition of Other Reserves is as follows:

Detail	Period ThUS\$	Accumulated ThUS\$
Capitalization of net income (Exempt Decree Ministry of Mining and Treasury Department)	16,347	609,050
Cumulative translation adjustment – subsidiaries (1)	9,608	(5,744)
Housing programs	-	35,100
Asset revaluation reserve - D.L. N°3,648	-	624,568
	<u>25,955</u>	<u>1,262,974</u>
Balance of other reserves as of June 30, 2003	<u>25,955</u>	<u>1,262,974</u>

(1) As of June 30, 2003 and 2002, the composition of the cumulative translation adjustment in Other reserves, which corresponds to the investments in subsidiaries and in equity investments whose currency is other than the United States dollar, is as follows:

	June 30, 2003			June 30, 2002		
	Initial balance ThUS\$	Period ThUS\$	Accumulated ThUS\$	Initial balance ThUS\$	Period ThUS\$	Accumulated ThUS\$
Hospital del Cobre S. A.	(15)	1	(14)	-	(14)	(14)
Instituto de Innovación en Minería y Metalurgia S.A.	(132)	96	(36)	-	(121)	(121)
Compañía Contractual Minera Los Andes	(514)	-	(514)	-	(474)	(474)
CMS Chile S.A.	(704)	(91)	(795)	-	-	-
CMS Tecnología S.A.	(126)	(773)	(899)	-	(126)	(126)
Electroandina S.A.	(6,116)	3,962	(2,154)	-	(5,639)	(5,639)
Inversiones Tocopilla Ltda.	(6,675)	4,726	(1,949)	-	(6,341)	(6,341)
Complejo Portuario Mejillones S.A.	(853)	902	49	-	(766)	(766)
Santiago de Rio Grande S.A.C.	(1)	-	(1)	-	-	-
Sociedad Elaboradora de Cobre	(182)	-	(182)	-	(50)	(50)
Yabricoya SCM	(3)	-	(3)	-	(3)	(3)
Asociación Garantizadora de Pensiones	(62)	21	(41)	-	(55)	(55)
Isapre Chuquicamata Ltda.	(77)	55	(22)	-	(69)	(69)
Isapre San Lorenzo Ltda.	36	20	56	-	37	37
Isapre Rio Blanco Ltda.	(25)	26	1	-	(23)	(23)
Compañía Minera Picacho	(66)	4	(62)	-	(63)	(63)
Geotermica del Norte S.A.	(42)	50	8	-	(39)	(39)
Sociedad de Inversiones de Cobre Dos S.A.	-	-	-	-	(6)	(6)
Sociedad de Inversiones Enercobre S.A.	-	-	-	-	(9)	(9)
Biosigma S.A.	(13)	95	82	-	-	-
Inversiones Mejillones S.A.	218	514	732	-	-	-
Total	<u>(15,352)</u>	<u>9,608</u>	<u>(5,744)</u>	<u>-</u>	<u>(13,761)</u>	<u>(13,761)</u>

Changes in equity are detailed as follows:

	As of June 30, 2003				As of June 30, 2002			
	Paid-in capital ThUS\$	Other reserves ThUS\$	Profits distribution ThUS\$	Net income for the period ThUS\$	Paid-in capital ThUS\$	Other reserves ThUS\$	Profits distribution ThUS\$	Net income for the period ThUS\$
Beginning balance - January 1	1,524,423	1,237,019	(76,853)	48,476	1,524,423	1,226,797	(76,853)	25,574
Recording of reserves and/or income in equity as required		16,347	32,129	(48,476)		25,574		(25,574)
Net changes in equity in subsidiaries and affiliated companies		9,608				(13,761)		
Net income for the period				33,833				44,288
Total	1,524,423	1,262,974	(44,724)	33,833	1,524,423	1,238,610	(76,853)	44,288

18. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses are detailed as follows:

a. Non-operating income:

	Period ended June 30,	
	2003 ThUS\$	2002 ThUS\$
Forward contracts	645	2,519
Fines on suppliers	1,684	1,219
Other income	8,019	10,694
Sale of bid contracts	91	29
Miscellaneous sales	6,390	13,371
Sales of assets	685	-
Recovery-future contracts	69	-
Realized gain on contributions to companies	22,489	14,206
Rent	878	-
Insurance recoveries	-	1,146
Administration - Satep	1,311	-
Total	42,261	43,184

b. Non-operating expenses:

	<u>Period ended June 30,</u>	
	2003	2002
	ThUS\$	ThUS\$
Export tax (Law N° 13196)	113,186	125,161
Pre-investment expenses	15,728	18,570
Severance indemnities	8,626	9,785
Contingency accrual	6,000	6,000
Retirement plans	11,882	8,685
Other personnel expenses	3,107	3,147
Vacation accrual	2,758	2,809
Costs of miscellaneous sales	3,847	4,247
Environmental exit costs	5,972	4,309
Amortization of collective bargaining bonus	9,458	9,196
Other expenses	5,379	13,443
Write-offs of obsolete property	1,519	4,023
Losses on disposal of property, plant and equipment	1,756	3,036
Exchange rate hedging	681	368
Labor related illnesses	-	571
Bond issue expenses - foreign	646	-
Former Tocopilla Division expenses	265	377
Value added tax not recovered	623	820
Inventory of materials	2,888	802
Mining licenses	219	224
Administration - Satep	3,169	-
Total	<u>197,709</u>	<u>215,573</u>

19. PRICE-LEVEL RESTATEMENT

The composition of price-level restatement (charged) credited to the statements of income is detailed as follows:

	<u>June 30,</u>	
	2003	2002
	ThUS\$	ThUS\$
Property, plant and equipment	632	36
Investments in related companies	-	11
Current assets and other	-	3
Other non-monetary assets	-	3
Expense and costs accounts	70	-
Total credits - assets	<u>702</u>	<u>53</u>
Equity	74	(42)
Other liabilities	(14)	-
Non-monetary liabilities	(193)	(305)
Income accounts	(81)	-
Total net charges - liabilities	<u>(214)</u>	<u>(347)</u>
Gain (loss) from price-level restatement	<u>488</u>	<u>(294)</u>

20. FOREIGN CURRENCY TRANSLATION

The (charge) credit to income for foreign currency translation for the periods ended June 30, 2003 and 2002 is as follows:

Assets (Charges) / Credits	Currency	2003	2002
		ThUS\$	ThUS\$
Cash	Ch\$	(164)	(347)
Other receivables	Ch\$	430	149
Trade receivables	Ch\$	1,090	886
Other current assets	Ch\$	2,047	(3,789)
Investments in related companies	Ch\$	2,379	2,025
Long-term receivables	Ch\$	1,336	(1,624)
Other	Ch\$	<u>1,192</u>	<u>(2,655)</u>
Total (charges) credits		<u>8,310</u>	<u>(5,355)</u>
Liabilities (Charges) / Credits			
Accounts payable	Ch\$	(3,175)	6,105
Other payables	Ch\$	96	(231)
Accruals	Ch\$	-	2,476
Other current liabilities	Ch\$	(24)	42
Other long-term liabilities	Ch\$	<u>(12,302)</u>	<u>23,978</u>
Total (charges) credits		<u>(15,405)</u>	<u>32,370</u>
Total		<u>(7,095)</u>	<u>27,015</u>

21. EXPENSES OF ISSUANCE AND PLACEMENT OF SHARES AND DEBT INSTRUMENTS

The discount on the placement of bonds is capitalized as a deferred expense and is accounted for under other Assets. The discount is amortized using the straight-line method over the term of the bonds (2012). As indicated in note 10, as of June 30, 2003, the balance of these assets amounts to ThUS\$9,040 while the amortization for the period was ThUS\$489.

Expenses of ThUS\$10,889 incurred in the issuance and placement of bonds made in 2002, as detailed in Note 13, were charged to 2002 results.

22. STATEMENT OF CASH FLOWS

The detail of supplemental information to the consolidated statements of cash flows is as follows:

	Period ended June 30,	
	2003	2002
	ThUS\$	ThUS\$
Income taxes paid	<u>(98,049)</u>	<u>(46)</u>
Contribution to Chilean Government Law N°13,196	<u>(124,596)</u>	<u>(113,725)</u>
Interest paid	<u>(42,107)</u>	<u>(29,999)</u>

The detail of "Other" included in the cash flows from investment activities is as follows:

	Period ended June 30,	
	2003	2002
	ThUS\$	ThUS\$
Other investment receipts:		
Recovery of loans granted to employees	<u>23,840</u>	<u>15,075</u>
Total	<u>23,840</u>	<u>15,075</u>
Other investment disbursements :		
Loans granted to employees	<u>(22,200)</u>	<u>(12,752)</u>
Other investments	<u>(18,486)</u>	<u>(16,901)</u>
Total	<u>(40,686)</u>	<u>(29,653)</u>

23. DERIVATIVE CONTRACTS

As of June 30, 2003 and 2002, the Company has contracts in place to fix the interest rates of US dollar-denominated debt obligations with banks and financial institutions. Deferred payments under these contracts amounted to ThUS\$71,607 in 2003 and ThUS\$41,924 in 2002, which are shown in Others under Other Assets (Note 10) and are amortized over the term of the respective obligations, from July 2003 to September 2008.

As of June 30, 2003 the detail is as follow:

Type of contract	Type of transaction	Contract amount	Description of contracts				Amount of transaction hedged	Financial statements				
			Maturity on expiry	Specific item	Position Purchase/ sale	Transaction hedged		Asset/Liability		Effect in results		
						Name		Amount	Name	Amount	Realized	Unrealized
FU	CCTE	5.504	February 2005	Copper	P	Copper sales contracts (MTMF)	317	198	Current liability	459	459	
FR	CCTE	5,000	September 2003	UF	P	Exchange rate US\$ UF	4,989	5,202	Current asset	213	213	
S	CCTE	164,482	November 2012	UF	P	Exchange rate US\$ UF	164,482	169,810	Other asset	5,328	5,328	
S	CCTE	300,000	September 2008	Interest rate	S	Interest rate fixed	300,000	300,000	Other asset			

24. COMMITMENTS AND CONTINGENCIES

Lawsuits

Codelco is involved in various pending legal actions initiated by, or against, the Company which are derived from the inherent nature of the industry in which the Company operates. In general, these lawsuits are from civil, tax, labor and mining actions, all of which are related to the Company's operating activities.

In the Company's management's and legal advisors' opinion, these lawsuits do not represent significant loss contingencies. In addition, with respect to all such lawsuits, the Company defends its rights and uses all instances and legal and proceeding resources available.

Below is a summary of the most significant lawsuits to which Codelco is a party:

- Water rights lawsuit filed by Compañía Minera Arenillas against Corporación Nacional del Cobre de Chile, Salvador Division. These are summary proceedings filed with the 13th Civil Court of Santiago, seeking payment of damages of ThCh\$16,000,000 (ThUS\$22,886). The lawsuit is based on the alleged diversion by the defendant of the water from Saldado and subsequent non-restoration of the flow of the river.
- Lawsuit seeking the annulment of an arbitration and a settlement on the payment of damages, filed by Construcción y Montajes Eroles Ltda against Corporación Nacional del Cobre de Chile, División Andina. This lawsuit was filed with the 1st Court of Los Andes and seeks payment of damages amounting to ThUS\$20,500.
- Tax lawsuits: There are several tax assessments issued by the Chilean Internal Revenue Service and to which the Company has objected. Below is a summary of these tax lawsuits:

	ThUSS
1990, 1991 and 1992 tax years	6,595
Penalties	10,041
1992, 1993 and 1994 tax years	24,576
Notice of payment due No. 1526 dated 9/15/1998	699
Notice of payment due No. 190 dated 3/29/1999	<u>613</u>
Total	<u>42,524</u>

- Mining Lawsuits: The Company has been involved, and will probably continue to be involved, as a defendant in a number of proceedings, through which it seeks to protect certain mining concession already established or in process of being established. Currently these proceedings have no determined amounts and do not affect significantly Codelco's development.

Direct guarantees

Creditor	Debtor	Type of guarantee	Outstanding payments	
			2003	2002
			ThUS\$	ThUS\$
Tesorería General de la República	Codelco Chile	Customs duties	87,738	75,749
Tesorería General de la República	Codelco Chile	Use of fiscal credit	5,949	35,278
Other	Codelco Chile	Accepted guarantees	26,361	1,574

Indirect guarantees

Creditor	Debtor		Type of guarantee	Outstanding payments		Expiration date
	Name	Relation		2003	2002	
				ThUS\$	ThUS\$	
Compañía Portuaria Mejillones S.A.	Complejo Portuario Mejillones S.A.	Subsidiary	General	64,568	-	Settlement date of debt

Additional information:

The Company has no restrictions or covenants associated with obligations with banks and financial institutions or with the public.

25. SURETIES OBTAINED FROM THIRD PARTIES

The Company has received a number of guarantees that mainly cover obligations of suppliers and contractors related to various projects under development. Considering the large number of guarantees received as of June 30, 2003 and 2002 and the many suppliers and contractors involved, the amounts covered are presented by Division as follows:

Division:	As of June 30,	
	2003	2002
	ThUS\$	ThUS\$
Chuquicamata	43,399	27,529
Radomiro Tomic	49,828	95,397
Salvador	9,081	30,800
Andina	5,547	6,375
El Teniente	60,448	81,445
Head Office	20,453	22,271
Total	188,756	263,817

26. ASSETS AND LIABILITIES IN LOCAL AND FOREIGN CURRENCIES

Assets and liabilities by currency are as follows:

Assets

Item	Currency	Amount	
		6/30/2003 ThUS\$	6/30/2002 ThUS\$
Cash	Ch\$	72	2,111
Cash	US\$	15,830	10,682
Cash	£	2	-
Cash	Euros	102	-
Time deposits	Ch\$	890	3,783
Time deposits	US\$	39,141	56,249
Marketable securities	Ch\$	1	1,945
Trade accounts receivable	Ch\$	23,639	2,115
Trade accounts receivable	US\$	221,006	285,019
Trade accounts receivable	£	532	-
Trade accounts receivable	Euros	8,559	7,372
Notes receivable	Ch\$	2,647	88
Other receivables	Ch\$	59,834	89,730
Other receivables	US\$	37,039	43,316
Due from related companies	US\$	1,292	125
Inventories	US\$	596,795	457,491
Recoverable taxes	Ch\$	40,275	5,366
Recoverable taxes	US\$	229,354	85,564
Prepaid expenses	Ch\$	4,050	1,293
Prepaid expenses	US\$	4,958	15,465
Deferred taxes	US\$	32,307	22,188
Other current assets	US\$	4,136	7,654
Fixed assets - net	US\$	4,979,288	4,650,022
Investments in related companies	Ch\$	197,263	111,941
Investments in related companies	US\$	85,692	71,025
Investments in related companies	Mexican pesos	1,034	751
Investments in other companies	Ch\$	4,184	3,292
Long-term receivables	Ch\$	49,850	27,512
Long-term receivables	Ch\$	42,961	53,792
Due from related companies	US\$	81,249	74,261
Intangibles	US\$	3,318	3,674
Amortization of intangibles	US\$	(1,100)	(924)
Other assets	US\$	257,045	153,958
		<u>7,023,245</u>	<u>6,246,860</u>
Total assets:			
	Ch\$	382,705	249,176
	US\$	6,630,311	5,989,561
	£	534	-
	Euros	8,661	7,372
	Mexican pesos	1,034	751
		<u>7,023,245</u>	<u>6,246,860</u>

Current Liabilities

Item	Currenc	Up to 90 days				90 days to 1 year			
		06/30/2003		06/30/2002		06/30/2003		06/30/2002	
		Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest
	ThUSS	%	ThUSS	%	ThUSS	%	ThUSS	%	
Banks and financial Institutions	US\$	-	-	-	-	581,778	1.58	335,524	2.26
Banks and financial Institutions-short-	US\$	-	-	-	-	201,244	1.66	252,281	2.47
Bonds	US\$	8,240	3,607	-	-	-	-	-	-
Accounts payable	Ch\$	112,785	59,750	-	-	-	-	-	-
Accounts payable	US\$	87,045	184,161	-	-	-	-	-	-
Other payables	Ch\$	15,247	19,411	-	-	-	-	-	-
Other payables	US\$	6,942	3,592	-	-	-	-	-	-
Due to related companies	US\$	19,692	-	-	-	-	-	-	-
Accruals	Ch\$	100,790	104,544	-	-	-	-	-	-
Accruals	US\$	52,344	62,113	-	-	-	-	-	-
Withholdings	Ch\$	22,946	49,954	-	-	-	-	-	-
Withholdings	US\$	23,234	-	-	-	-	-	-	-
Deferred income	US\$	4,901	9,334	-	-	-	-	-	-
Other current liabilities	US\$	1,798	2,232	-	-	-	-	-	-
Income taxes	US\$	174	132	-	-	-	-	-	-
Notes payable	US\$	24	1,170	-	-	-	-	-	-
		<u>456,162</u>	<u>500,000</u>	<u>783,022</u>	<u>587,805</u>				
Total current liabilities:	US\$	204,394	266,341	783,022	587,805				
	Ch\$	251,768	233,659	-	-				
		<u>456,162</u>	<u>500,000</u>	<u>783,022</u>	<u>587,805</u>				

Long-Term Liabilities

2003

Item	Currency	1 to 3 years		3 to 5 years		5 to 10 years	
		Amount	Average annual interest	Amount	Average annual interest	Amount	Average annual interest
		ThUSS	%	ThUSS	%	ThUSS	%
Banks and financial institutions	US\$	200,000	1.85	300,000	1.46	-	-
Bonds	US\$	-	-	-	-	300,000	7.38
Bonds	US\$	-	-	-	-	435,000	6.38
Bonds	UF	-	-	-	-	169,810	4.00
Notes payable	Ch\$	-	-	65,582	-	-	-
Accruals	Ch\$	413,914	-	-	-	-	-
Accruals	US\$	134,994	-	-	-	-	-
Other payables	US\$	209	-	-	-	-	-
Deferred taxes	US\$	984,179	-	-	-	-	-
Other liabilities	US\$	3,098	-	-	-	-	-
		<u>1,736,394</u>		<u>365,582</u>		<u>904,810</u>	
Total long-term liabilities:	US\$	1,322,480		300,000		735,000	
	Ch\$	413,914		65,582		-	
	UF	-		-		169,810	
		<u>1,736,394</u>		<u>365,582</u>		<u>904,810</u>	

Long-term liabilities

2002:

	Currency	1 to 3 years		3 to 5 years		5 to 10 years	
		Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %	Amount ThUS\$	Average annual interest rate %
Banks and financial institutions	US\$	400,001	3	300,000	2	-	-
Bonds	US\$	-	-	-	-	300,000	7.38
Notes receivable	US\$	16,837	-	-	-	-	-
Other payables	Ch\$	5,593	-	-	-	-	-
Accruals	Ch\$	385,751	-	-	-	-	-
Accruals	US\$	116,801	-	-	-	-	-
Deferred taxes	US\$	895,087	-	-	-	-	-
Other liabilities	US\$	7,814	-	-	-	-	-
		<u>1,827,884</u>		<u>300,000</u>		<u>300,000</u>	
Total long-term liabilities:							
	US\$	1,436,540		300,000		300,000	
	Ch\$	<u>391,344</u>		<u>-</u>		<u>-</u>	
		<u>1,827,884</u>		<u>300,000</u>		<u>300,000</u>	

27. SANCTIONS

Codelco Chile, its Directors and Management have not been subject to sanctions applied by the Superintendency of Securities and Insurance or other administrative authorities.

28. SUBSEQUENT EVENTS

On July 21, 2003, the Company obtained a syndicated loan amounting to ThUS\$300,000 from several international lending institutions. The loan has a 5 year term, with full repayment to be made on maturity date and accrues annual interest at a rate of Libor plus 0.45%. The loan was obtained to finance investments and refinance Company obligations.

The Company's management has no knowledge of other significant events of a financial nature or any other nature, occurring between June 30, 2003 and the date of issuance of these financial statements which may affect them.

29. ENVIRONMENT

The practice of exploration and recognition of new resources, which are environmentally sustainable, has been a significant concern for the Company. Consequently, since 1998 the Company defined its environmental commitments, which are controlled through an environmental management system for explorations that has been improved over time to conform to the worldwide standard ISO 14001. This environmental management system has assisted in geology, geochemical, geophysical and sounding work directed towards exploration of mineral resources both in Chile and abroad.

At June 30, 2003, the Codelco Norte group, made up of the Chuquicamata and Radomiro Tomic, Andina and Salvador Divisions, had received ISO 14001 certification. The Parent Company and exploration management also received ISO 14001 certification. Exploration management received the certification separately for the relevance and impact of its activities on the environment.

The El Teniente Division is in the process of obtaining ISO 14001 certification.

In accordance with this policy, in 2003 the Company has made investments of ThUS\$16,194 (ThUS\$37,284 in 2002) involving environmental issues.

30. MINING SITES

The Company carries out its productive processes through its divisions, Codelco Norte, (Chuquicamata and Rodomiro Tomic), Salvador, Andina and El Teniente.

These divisions operate with independent administrative departments, which report to the Chief Executive Officer.

The characteristics of each division are as follows:

Chuquicamata

Type of Deposit: Open pit mine
Operation Since 1915
Location Calama, Chile's 2nd Administrative Region
Products Electro-refined and electro-won copper cathodes, and copper concentrate

Radomiro Tomic

Type of Deposit: Open pit mine
Operation Since 1997
Location Salvador, Chile's 3rd Administrative Region
Products Electro-won copper cathodes

Salvador

Type of Deposit: Underground mine
Operation Since 1926
Location Salvador, Chile's 3rd Administrative Region
Products Electro-refined and electro-won copper cathodes, and copper concentrate

Andina

Type of Deposit: Underground mine
Operation Since 1970
Location Los Andes, Chile's 5th Administrative Region
Products Copper concentrate

El Teniente

Type of Deposit: Underground mine
Operation Since 1905
Location Rancagua, Chile's 6th Administrative Region
Products Fire-refined copper and copper anodes

* * * * *